Wholesale Investigation (IR 15-124) Initial Staff Questions for Eversource/Access Northeast
July 6, 2015
Instructions for responses: Please e-mail responses in PDF format **by July 20, 2015** to alexander.speidel@puc.nh.gov; responses will be promptly posted to the NHPUC website here: http://puc.nh.gov/Electric/Investigation_into_Potential_Approaches_to_Mitigate_Wholesale_Electricity_Prices.html

1. Spectra Energy's Nov 6, 2014 slide presentation states that the Access Northeast project includes upgrading the Algonquin pipeline system and local LNG storage facilities. Please explain the role LNG storage plays in the project, state when LNG commodity withdrawals will be permitted, explain how the fixed costs of upgrading local storage facilities will be recovered, detail how LNG commodity service will be priced, and explain how the commodity-based revenues will be handled.
2. If LNG commodity service is to be priced on a cost-of-service basis, please provide a cost breakdown of the price of re-gasified LNG commodity assuming the commodity originates from the Marcellus Shale production area and is liquefied and stored during the summer months. Please also confirm that the developers intend to liquefy domestic natural gas. See Eversource comments at page 16.
3. If LNG commodity service is priced on a market basis, please describe the market-based pricing method the developers intend to use and provide a market-based estimate of the price of the re-gasified LNG commodity. Please also explain how a market-based pricing method is consistent with the overall objective of reducing or eliminating winter period basis differentials and hence lowering the price of natural gas to gas-fired generators.
4. Will EDCs be required to purchase both pipeline capacity and LNG storage capacity service and, if so, will they be charged the same price for both capacity products?
5. Please identify the receipt point(s) for the Access Northeast project. To the extent the receipt point(s) is within or downstream of Texas Eastern's Market Zone 3, explain how expanding the Algonquin pipeline as proposed will eliminate or significantly reduce the winter price volatility at Algonquin Citygates.
6. CLF's comments in this investigation at page 9 show two NGI charts that depict natural gas prices for the period June 2014 through June 2015 at Algonquin Citygates and Texas Eastern M-3. The charts appear to show considerable correlation between the prices at the two trading locations. Does Eversource expect that the Access Northeast project will alleviate the pipeline constraints driving the winter price volatility in the M-3 trading area? If yes, please elaborate.
7. The EIPC Target 2 Report titled Evaluate the Capability of the Natural Gas Systems to Satisfy the Needs of the Electric Systems, issued June 20, 2014 states at page 71 that modeling of the Northeast pipeline system reveals that gas "deliverability *into* Massachusetts is the bottleneck, as shown in red across New York and Connecticut, reflecting the complete or near complete utilization of primary pipelines linking Marcellus with market centers in NYISO, ISO-NE and IESO." Will the Access Northeast project alleviate the upstream constraints in New York and Connecticut? If yes, please explain how this relieve will happen. If not, is it likely that the Access Northeast project will significantly reduce the winter period basis differentials at Algonquin Citygates?
8. Is Eversource aware of planned pipeline projects upstream of M-3 that would increase the supply of natural gas to M-3 and thus reduce the high winter basis at that trading hub? If yes,

please identify the projects and specify for each the primary receipt and delivery points, the proposed incremental capacity, and the target start date.

9. Will EDC's have the ability to purchase capacity on pipelines upstream of the Access Northeast receipt point?
10. In comments submitted to the Mass DPU, TGP at page 32 reports a claim by CES that for the period from December 1, 2013 through November 30, 2014, "the average price for gas at the Tennessee Z4 Marcellus trading point (pricing point for deliveries into Tennessee's NED Project in Northeastern Pennsylvania) was $2.57/MMBtu, compared to $5.28/MMBtu at the TETCO M3 trading point (pricing point for delivery into Algonquin Gas Transmission at Lambertville, New Jersey). In Eversource's opinion, is it reasonable to conclude from the CES analysis that TGP's NED project will provide shippers access to incremental gas supplies during the winter months at prices lower than the Access Northeast project? If Eversource disagrees with this conclusion, please explain why. In your response, please address the appropriateness of comparing prices at TGP Z4 and TETCO M3.
11. Please identify each New England gas-fired generator directly served by the Algonquin and M&N pipelines in 2014. For each such generator, please state whether the gas supplies were delivered to the Algonquin or M&N pipelines by TGP or PNGTS.
12. Will the Access Northeast project have the ability to provide firm transportation service to any gas-fired generator that is directly served by the Algonquin and M&N pipelines?
13. Will the Access Northeast project have the ability to supply gas-fired generators that are currently directly served by TGP or PNGTS? If yes, does Access Northeast intend to offer firm transportation services to such generators? If the answer to the previous question is yes, please clarify whether such service will require Access Northeast or the gas-fired generators, in all or some cases, to incur additional costs to obtain firm transportation service on other regional pipelines.
14. How much capacity does Eversource expect each New Hampshire EDC to purchase?
15. The confidential material sent by Eversource, UI and NGRID to NESCOE states that EDCs would contract for capacity under a pipeline specific Pipeline Rate Schedule that is tailored to meet the needs of the ISO-NE electric market. Does that mean affiliated EDCs have the option of contracting with any pipeline project that has such a Pipeline Rate Schedule or just the Access Northeast project?
16. Have the developers of the Access Northeast project conducted any studies that demonstrate the 0.5 Bcf/day of incremental pipeline capacity will be sufficient to eliminate or significantly reduce the winter period basis differentials at Algonquin Citygates? If yes, please provide copies of such studies.
17. TGP contends that Access Northeast would not provide the level and scope of incremental pipeline capacity necessary to cause a significant reduction in basis differential. It argues that an additional 2.4 Bcf/day of pipeline capacity must be constructed to erase the basis differential. Please comment on TGP's claim.
18. Regarding the release of capacity to gas-fired generators, why does Eversource believe FERC's capacity release rules allow for pipeline capacity to be targeted to gas-fired generators?
19. Eversource has indicated that the Capacity Manager would initially auction the available capacity to gas-fired generators only. Does Eversource expect the auctions be conducted

weekly, monthly or annually? Also, does Eversource anticipate that all gas-fired generators will submit bids for that capacity or just generators directly served by Algonquin and M&N? What are the market implications of a pipeline expansion project not covering all gas-fired generators in the region?

20. Does Eversource believe ISO-NE or the IMM will treat the cost of capacity purchased through the auction as a fixed cost? If so, is it likely that gas-fired generators will be able to recoup this cost through energy or capacity market mechanisms?
21. If the cost of capacity acquired via the auction is deemed significant, explain why a generator would agree to incur this cost and risk under recovery. Why wouldn't generators with dual-fuel capability simply switch fuels and offer on the basis of oil?
22. Does Eversource foresee the need for market rule changes that would allow pipeline capacity costs to be recovered through energy market or capacity market offer prices?
23. Has Access Northeast entered into binding contractual commitments with affiliated EDCs at this time? If so, specify the EDCs and provide Staff a copy of the commitment with Eversource-NH. Are the binding contractual commitments with EDCs subject to state PUC approval?
24. Does Access Northeast expect to export gas to Canada? If so, has it entered into any binding precedent agreements with Canadian buyers including buyers such as Pieridae who would liquefy the gas and export it to other countries?
25. Page 9. For clarification, why does Eversource believe "securing additional gas capacity/associated storage may not be a complete solution" to the high and volatile winter period wholesale electricity prices? What can other projects do that a combination of appropriately sized gas pipeline capacity and gas storage capacity cannot do?
26. Page 11. Eversource addresses various risks to retail customers associated with the Access Northeast project. Not addressed is the risk that gas-fired generators choose not to bid on the pipeline capacity made available by EDCs via auction. Does Eversource believe this is a realistic and significant risk? If yes, how can this risk be mitigated? If no, why not?
27. *Page 14.* Eversource contends that pipeline projects that comprise only pipeline capacity may not entirely satisfy the special needs of gas-fired generators. Specifically, it states that proposals that incorporate the ability to accommodate large hourly load swings provide generators with additional benefits. Assuming Eversource is referring to the inclusion of LNG storage service in the Access Northeast project, explain how this storage will be utilized to meet the large hourly load swings.
28. ISO-NE in a recent whitepaper contends that energy market price reductions caused by subsidized renewable resources put upward pressure on capacity market prices. Has Eversource considered the potential impact on capacity prices caused by energy price reductions driven by EDC funded pipeline expansion projects? If yes, please provide copies of related analyses.
29. Lander for CLF testified in the Maine proceeding that the pipeline expansion projects AIM, Atlantic Bridge and TGP Connecticut will substantially decrease the basis differential in New England when they come online in the next two years. NEPGA and UES have made similar arguments in this investigation. What is Eversource's opinion regarding these claims? Please provide all support for your answer.
30. Please provide all milestones for the Access Northeast pipeline project.
31. Assuming New England regulators decide to support two or more regional pipeline projects, how could that decision be implemented through capacity purchases made by the region's EDCs?

32. Please provide an estimate of the unit cost of firm transportation service on Access Northeast together with the term of the long-term contract for pipeline capacity.
33. Attachment 1. Please identify and describe the bottlenecks/constraints on the Algonquin pipeline and state whether each will be reduced or eliminated by the Access Northeast project. If some of the bottlenecks/constraints will be relieved by other pipeline projects, please discuss.